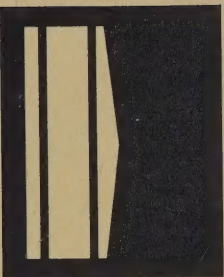


* AMBASSADOR * DIPLOMAT * STATESMAN * EMBASSY * COLONY * BERKSHIRE *

Manufacturers and Retailers of Quality Mobile Homes

HOMCO INDUSTRIES LTD.



HOMCO INDUSTRIES LTD.

2576 Highway 97 North, Kelowna,
British Columbia, V1X 4J5



INTERIM REPORT

To The Shareholders

for the three months ended
March 31, 1976

To:

Mr. Ian Carman
Business & Finance Editor
The Globe & Mail
140 King Street West
TORONTO, Ontario

First Class Mail

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UNAUDITED CONSOLIDATED SALES AND EARNINGS

Three Months ended March 31

	<u>1976</u>	<u>1975</u>
Sales	\$5,509,717	\$3,018,710
Loss Before Tax	\$ 772,767	\$1,017,535
Loss After Tax Recovery	\$ 409,567	\$ 568,219
Loss Per Share	49¢	68¢
Outstanding Shares	840,600	840,600

PRESIDENT'S MESSAGE

The operations of Homco Industries Ltd. for the first quarter ended March 31st resulted in sales of \$5,509,717 as compared to \$3,018,710 for the corresponding period one year ago, and a net loss of \$409,567 as compared to a net loss of \$568,219 for the same period in 1975.

We are pleased with the 82% increase in sales, but disappointed in our loss position although it is an improvement on last year's loss.

Our Eastern Canadian operations continued in a loss position which accounted for a substantial portion of our first quarter loss. The Eastern operations, both manufacturing and retailing, are being monitored daily in our continuing effort to return them to profitability.

Our Western Canadian operations enjoyed a strong market during March which helped us increase our sales on a consolidated basis. During April, the market did not show the strength which usually follows the first quarter. Consequently, we are reviewing our inventory and marketing position on a more frequent basis to enable us to react more promptly to marketing situations and demands.

We are now producing C.M.H.C. approved mobile homes

at some plants, and our application for A.277 approval (National Building Code for manufactured housing) is progressing satisfactorily for early summer implementation. Our new perimeter frame/floor system is enjoying wide acceptance for double wide homes, particularly those being permanently installed on foundations.

We are actively pursuing the market afforded through developers relating to sub-divisions and low cost housing projects. We are enjoying some success in this market area and hope to expand further this marketing aspect as the year progresses.

The expansions of our Kelowna, British Columbia and Estevan, Saskatchewan plants are nearing completion which will allow us more flexibility in production scheduling and productivity. We are contemplating opening two more retail outlets — one in Alberta and one in Saskatchewan — by June 1st, 1976 to increase our penetration in the Prairie market.

In view of our efforts in marketing, production innovations and increased monitoring of operations, we are cautiously optimistic that the losses of our first quarter can be offset by profits during the second and third quarters.

Carl D. Johnson
President